

Message Text

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SUBJ: FOREIGN TRADE STATISTICS: FIRST HALF 1976

BEGIN SUMMARY: FIRST SIX MONTHS' TRADE DATA INDICATES SUBSTANTIAL
IMPROVEMENT IN FINNISH TRADE BALANCE (I.E. DECLINE IN DEFICIT)
AS EXPORTS HAVE INCREASED BY 10 PERCENT AND IMPORTS HAVE DECLINED
BY 10 PERCENT FROM CORRESPONDING 1975 LEVELS. THERE ARE NO
SUBSTANTIAL STRUCTURAL CHANGES IN TRADE PATTERNS. THE IMPROVE-
MENT CAN BE ATTRIBUTED LARGELY TO EXTERNAL FACTORS ON THE EXPORT
SIDE AND TO THE BANK OF FINLAND'S MONETARY POLICY ON THE
IMPORT SIDE. END SUMMARY

1. PRELIMINARY JUNE TRADE FIGURES INDICATE A DEFICIT OF
240 MILLION FMK (\$62 MILLION) WHICH YIELDS A HALF-YEAR DEFICIT
OF 1,784 MILLION FMK (\$461 MILLION). THIS IS UNEXPECTEDLY
LOW AND IS LESS THAN HALF OF THE 4,218 MILLION FMK
(31,090 MILLION) DEFICIT OF THE FIRST HALF OF 1975. BASED ON
CURRENT DATA, THE BANK OF FINLAND NOW BELIEVES THAT THE
CURRENT ACCOUNT DEFICIT FOR 1976 COULD BE LESS THAN HALF OF
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LAST YEAR'S 8.1 BILLION FMK. THE MINISTRY OF FINANCE PREDICTS

A CURRENT ACCOUNT DEFICIT OF 5 BILLION FMK, WITH A TRADE DEFICIT OF 4.4 BILLION. THESE FIGURES ARE CONSIDERED FAVORABLE.

2. THE STRUCTURE OF TRADE REMAINS BASICALLY STABLE. THE USSR AND SWEDEN ARE ALTERNATING AS THE MAJOR SUPPLIERS TO FINLAND, WITH FRG, UK AND US FOLLOWING. THE MARKET SHARE OF THE MAJOR TRADING GROUPS REMAINS STABLE, WITH EC (36 PERCENT), EFTA 25 PERCENT UP FROM THE 22 TO 23 RANGE) AND CEMA (20 PERCENT, DOWN FROM 1975 LEVELS BUT UP TWO PERCENT ON A SEASONALLY ADJUSTED BASIS). AS USUAL, THE CEMA FIGURE IS LARGELY THE USSR. IT APPEARS THAT FINNISH TRADE WITH THE CEMA GROUPS HAS CEASED TO GROW, AFTER STEADY DEVELOPMENT REFLECTING THE INCREASE IN OIL PRICES IN 1973-4, FOLLOWED THEN BY THE WESTERN RECESSION. CURRENTLY THE FINNS HAVE A SURPLUS IN THEIR CLEARING ACCOUNT TRADE WITH THE USSR (HENCE THE FINNS ARE "FINANCING" THE TRADE) AND THE OLD PROBLEM OF WHAT TO BUY FROM THE SOVIETS IS RE-APPEARING, AND WILL BE ONLY PARTIALLY OFFSET BY SOVIET AGREEMENT TO SELL MORE CRUDE OIL TO FINLAND. IN ADDITION, FINLAND AND POLAND HAVE BEEN UNSUCCESSFUL IN EFFORTS TO DECREASE THE POLISH SURPLUS IN THEIR HARD-CURRENCY TRADE, SO EXPANSION OF THIS TRADE IS UNLIKELY, AND POLAND IS THE ONLY OTHER CEMA MEMBER TO HAVE ANY SIGNIFICANT TRADE WITH FINLAND.

3. DETAILED STATISTICS FOR THE FIRST FIVE MONTHS OF 1976 INDICATE THAT EXPORTS OF METAL AND ENGINEERING INDUSTRY PRODUCTS HAVE INCREASED BY 21 PERCENT OVER THE SAME FIVE MONTH PERIOD IN 1975. THIS REFLECTS EXCELLENT SHIP DELIVERY FIGURES, PARTICULARLY IN MAY. THE CHEMICAL INDUSTRY EXPORTS INCREASED 20 PERCENT, WOOD PRODUCTS 7 PERCENT AND TEXTILE PRODUCTS 3 PERCENT. HOWEVER, EXPORTS OF PAPER PRODUCTS DECLINED 15 PERCENT AS PULP FELL 22 PERCENT AND PAPER AND PAPERBOARD 13 PERCENT. IT SHOULD BE REMEMBERED THAT THE 1975 BASE FIGURES REFLECTED ABNORMALLY HIGH PRICES WHICH HAVE SINCE FALLEN.

4. IMPORTS, REFLECTING RECESSION AND STRINGENT MONEY CONDITIONS, HAVE FALLEN SUBSTANTIALLY. RAW MATERIAL IMPORTS ARE DOWN 17 PERCENT, FUELS 18 PERCENT, INVESTMENT GOODS 12 PERCENT AND CONSUMER GOODS 14 PERCENT (ALL FIVE MONTH FIGURES),

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5. COMMENT: WHILE THE DEFICIT IS SMALLER THAN MANY EXPECTED, THE "IMPROVEMENT" MAY BE TOO DEPENDENT UPON THE EXTREMELY STRINGENT MONETARY POLICY OF THE BANK OF FINLAND. HENCE, AS ECONOMIC CONDITIONS ELSEWHERE STIMULATE FINNISH EXPORTS, THE BANK IS CONCERNED THAT IT MAY BE UNABLE TO MAINTAIN ITS TIGHT MONEY POLICY AND IMPORTS COULD AGAIN RISE PERHAPS FASTER THAN EXPORTS. IN ADDITION THE "REVIEW" OF WAGES DUE IN THE AUTUMN IS OF GREAT CONCERN TO THE BANK. ALSO, WHILE THE TRADE

FIGURES ARE NOT AS BAD AS THEY COULD HAVE BEEN,THE DEFICIT,
AND HENCE THE TOTAL FOREIGN DEBT CONTINUES TO GROW.
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